

GI Bill overpayments leave veterans facing big debts

By Andrew Tilghman, Staff writer 12:54 p.m. EDT October 23, 2015

The Veterans Affairs Department is trying to recoup more than \$200 million in overpayments that mistakenly went to veterans using GI Bill benefits to attend school, according to a government watchdog group.

The VA routinely overpays GI Bill benefits to both schools and individual veterans, mainly when veterans drop classes or fail to complete them and become ineligible for the tuition and living stipends that the VA initially paid, according to the Government Accountability Office.

The debt comes as a surprise to many veterans, largely because the "VA is not effectively communicating its program policies to veterans," and "veterans may be incurring debts that they could have otherwise avoided," the GAO found.

The problem is worsened by the VA's paper-based notification system and its lackluster reporting requirements related to GI Bill benefits, the report found.

In 2014, about one in every four GI Bill beneficiaries, or about 225,000 veterans, incurred an overpayment debt, averaging about \$570, the GAO said.

In most cases, veterans are responsible for repaying the debt; the school is responsible in a small percentage of circumstances.

When a veteran enrolls at a school, the VA typically sends tuition and fee payments directly to the school and begins sending housing and living stipends directly to the veteran. If a student later drops or fails to complete a class, the VA scales back the benefits accordingly, and the student becomes responsible for any overpayments that result from changes to enrollment plans.

VA identifies overpayment debts using enrollment and tuition information submitted by schools.

If the VA identifies a debt, the veteran is notified by letter delivered through the U.S. Postal Service. For those veterans, options include paying the debt, setting up a payment plan to cover it over time, or disputing it. If veterans fail to pursue one of those options, the VA will withhold future payments and report the debt to credit agencies.

One key problem is the VA's sole use of paper mail to notify schools and veterans of overpayments. Veterans' addresses in VA files often are out of date, so some do not receive the notifications and can miss deadlines for disputing them. That can create unexpected financial problems for veterans if the VA withholds future benefits.

Another problem identified by the GAO is the VA's failure to require veterans to verify their enrollment each month — a common flaw in many education benefit programs, the report noted.

Failing to requiring veterans to verify their enrollment every month can cause significant time lapse between when veterans drop courses and when the VA learns about that enrollment change and can recalibrate benefits accordingly.

The GAO recommended that the VA find better ways to communicate its policies to individual veterans, find better ways to notify veterans promptly when an overpayment occurs and improve its enrollment verification system. VA officials said they will pursue those changes, according to the report.

In November 2014, the VA had \$262 million in uncollected Post-9/11 GI Bill overpayment debts. More than half of those debts were new and in the early stages of collection. But about \$110 million in debt was more than one year old, the GAO found.

More than 7,000 veterans had overpayments of more than \$5,000, which can occur when a veteran withdraws from school or receives several months of housing overpayments.

Schools are responsible for tuition overpayments when:

- Student never attended any classes.
- Student completely withdraws on or before the first day of the term.
- Student died during the term or before start of the term.
- School reports reduced tuition and fee charges and/or Yellow Ribbon amount.
- School received an erroneous or duplicate payment from VA.
- Overpayment resulted from school's willful or negligent false certification or failure to certify significant changes.

Veterans are responsible for tuition overpayments when:

- Student withdrew after the first day of the term.
- Student reduced hours either before or during the term.
- Student attended at least one day of any of the certified classes.
- School reports a reduction in tuition, fees, and/or Yellow Ribbon amount due to student action.
- Student drops a course and adds a course that results in a reduction in tuition, fees, and/or Yellow Ribbon amount, even if there is no net change in training time.